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Environmental Management Advisory Board Meeting

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Director, Office of Acquisition Management
September 29-30, 2005



Contract Strategy and Management

- **Acquisition Lessons Learned**
- **DOE Small Business Action Plan based on GAO May 2005 Report**



Acquisition Lessons Learned

Use of Management and Operating Contractor relationship:

- Use in cases that include level of effort type activities, e.g., infrastructure or site services.
- **Advantages:** flexibility, ability to respond to changing requirements and funding, uncomplicated acquisition requirements, reduced resources for safety, interface, contracts and project management
- **Disadvantages:** decreased innovation, the Government holds all the risk; the pool of contractors is limited; "cost-plus" provides little incentive to contractors to control costs or improve the quality of performance; award fees can be subjective if not tied to performance-based objectives.
- **Examples:** Savannah River Site, West Valley Demonstration Project, Oak Ridge (M&I)



Acquisition Lessons Learned

Use of privatization contracts:

- **Advantages:** Fixed price and term, contractor has all risks.
- **Disadvantages:** Fixed-price contracts not appropriate for all situations- waste characteristics, complexity of the project, number of contractors willing to compete, financing mechanisms available, allocation of risks all must be considered; full private financing may not be viable-a balanced approach must be adopted, i.e., risks are shared between the contractor and the government; effective project oversight is essential to avoid problems and identify issues early.
- **Examples:** Idaho Foster-Wheeler Spent Nuclear Fuel Dry Storage Project, Glass Waste Storage Building #2, Oak Ridge TRU Waste Treatment and Disposal, Idaho National Laboratory Pit 9, Idaho Advanced Mixed Waste Treatment Project



Acquisition Lessons Learned

Use of Cost Plus Incentive Fee contracts:

- There must be clear scopes of work and end states well defined.
- **Advantages:** cost reduction, schedule acceleration and innovation due to competition, flexibility for the contractor to adjust funding and activities and therefore focus on the endpoint, flexible incentive structures (allows for cost sharing between the Government and the contractor) and risks may be shared appropriately between the Government and the contractor.
- **Disadvantages:** the need for an accurate baseline, challenging contracting processes (rigorous cost and pricing data and the culture change from previous engrained contractor management tools and strategies).
- **Examples:** Rocky Flats, Mound, Fernald, River Corridor, Idaho Cleanup Project



Acquisition Lessons Learned

Use of Indefinite Delivery, Indefinite Quantity contracts:

- EM is increasing use of this vehicle;
- **Advantages:** shorter Request for Proposal preparation, contractor proposal and DOE evaluation timeframes and associated reduced costs, contractor protests not allowed except for scope and overall contract value.
- **Disadvantages:** culture change for management and contracting staff, increased Federal oversight (safety, interfaces, contracts and project management), requires well-defined end states and associated risk allocation.
- **Examples:** Ashtabula (OH), Separations Process Research Unit (NY), Potential: Brookhaven (NY), Moab (UT)



Acquisition Summary & Path Forward

- **DOE has made strides in implementing contract reform initiatives- contractors' performance has improved. The likelihood of success depends on:**
 - Availability of required funding
 - High-level management attention
 - Implementation of basic project management principles
 - Regulatory and political support is provided and focused
- **There are certainly examples where performance is suffering, due to the lack of one or more of these key elements**
- **EM will continue to consider ways to increase competition, to increase innovation, use specialized expertise, decrease cost and accelerate schedule.**
- **Each scope of work must be analyzed on a case by case basis – not one size fits all**



Major Near-Term Acquisitions

- **Savannah River Site (WSRC)**
 - Contract expires 09/30/06.
 - Scope: Liquid Waste, H-Canyon operations, Spent Nuclear Fuel (SNF)/High-Level Waste (HLW) management, Deactivation, Decontamination, Decommissioning, Demolition (D4), Environmental Restoration (ER)/Waste Management (WM), Surveillance & Maintenance (S&M), Infrastructure
- **Richland Management Contractor (Fluor Hanford)**
 - Expires 09/30/06.
 - Scope: D4, Area cleanup, ER/WM, infrastructure, SNF management
- **Office River Protection Tank Farms (CH2MHill Hanford)**
 - Expires 09/30/06.
 - Scope: Tank operations, waste retrieval, infrastructure, ER/WM
- **West Valley Demonstration Project (WVNSCO)**
 - Expires 12/31/05.
 - Scope: ER/WM, S&M, D4, Infrastructure



Acquisitions

Discussion/Questions



GAO Report on DOE Small Business Subcontracting

The Government Accountability Office (GAO) reviewed small business subcontracting practices of 13 Department of Energy facility management contractors



GAO Findings

- Small Business Administration (SBA) Guidelines permit exclusions from procurement data bases for purchases from affiliates and foreign purchases
- GAO found that exclusions taken by the contractors was inconsistent with the SBA guidelines
- Additional exclusions led to overstated small business goal achievement



Mitigating Factors

- Exclusions taken were consistent with DOE historical practices
- To reflect “maximum practicable opportunity” for small business subcontracting contractors excluded utilities and other items that could not be provided by small business firms
- GAO acknowledged small business subcontract funding of \$3.3 billion by facility management contractors in FY 2004



GAO Recommendations

- Ensure that facility management contractors follow guidelines for reporting subcontracting achievements
- Calculate achievements as a percent of annual contract funding
- Issue guidance to clarify oversight responsibilities



DOE Response/Actions

- DOE objected to reporting achievements as a percent of total obligations as inconsistent with SBA guidelines. (Salaries, benefits and other expenses are traditionally excluded from procurement baselines)
- DOE ultimately agreed to collect the data internally
- In FY 2006, contractors have been required to certify that goals are based only on exclusions of affiliate purchases and foreign contracts
- On June 10, 2005, DOE issued Acquisition Letter 2005-08, *Small Business Programs*, to improve the accuracy of small business data and better define roles and responsibilities



EM Actions

- EM will continue to rely on the Head of Contracting Activity to ensure compliance with Federal guidelines, but will play a more active role by reviewing plans and monitoring accomplishments against goals
- As part of its overall small business program EM will issue an information memorandum to field elements concerning small business prime and subcontracting goals



DOE Small Business Action Plan/GAO Report

Discussion/Questions